



EB-2007-0553
EB-2007-0110

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c.15 (Schedule B);

AND IN THE MATTER OF an application by Middlesex
Power Distribution Corporation for an order or orders
approving or fixing just and reasonable distribution rates
and other charges, to be effective May 1, 2007.

BEFORE: Paul Sommerville
Presiding Member

Paul Vlahos
Member

Ken Quesnelle
Member

DECISION AND ORDER

Middlesex Power Distribution Corporation (“Middlesex Power”) is a licensed distributor providing electrical service to consumers within its licensed service area. Middlesex Power filed an application with the Ontario Energy Board (the “Board”) for an order or orders approving or fixing just and reasonable rates for the distribution of electricity and other charges, to be effective May 1, 2007.

Middlesex Power is one of 85 electricity distributors in Ontario that are regulated by the Board. To streamline the process for the approval of distribution rates and charges for these distributors, the Board issued its *Report of the Board on Cost of Capital and 2nd*

Generation Incentive Regulation for Ontario's Electricity Distributors (the "Report") on December 20, 2006. The Report contained the relevant guidelines for 2007 rate adjustments ("the guidelines") for distributors applying for rates only on the basis of the cost of capital and 2nd generation incentive regulation mechanism policies set out in the Report.

Public notice of Middlesex Power's rate application was given through newspaper publication in Middlesex Power's service area. The evidence filed as part of the rate application was made available to the public. Both Middlesex Power and interested parties had the opportunity to file written submissions in relation to the rate application. The Board received submissions from Board Staff with respect to Middlesex Power's Conservation and Demand Management ("CDM") proposal. While the Board has considered the entire record in this rate application, it has made reference only to such evidence as is necessary to provide context to its findings.

Middlesex Power's rate application was filed on the basis of the guidelines. In fixing new rates and charges for Middlesex Power, the Board has applied the policies described in the Report.

After confirming the accuracy of the 2006 rate tariff and accompanying materials submitted in the rate application, the Board applied its approved price cap index adjustment to distribution rates (fixed and variable) uniformly across all customer classes. The price cap index is calculated as a price escalator less an X-factor of 1.0%, intended to represent input price and productivity trends. Based on the final 2006 data published by Statistics Canada, the Board has established the price escalator to be 1.9%. The resulting price cap index adjustment is therefore 0.9%.

The price cap index adjustment was not applied to the following components of the rates:

- the specific service charges;
- the regulatory asset recovery rate rider; and
- the smart meter rate adder (an amount in the fixed components of the rates associated with smart meter cost recovery).

Middlesex Power requested an amount for smart meter costs. The Board has approved an amount of \$2.29 per month per metered customer. Middlesex Power's variance

accounts for smart meter program implementation costs, previously authorized by the Board, are continued. As the notice of this application indicated, the Board will be holding a combined proceeding to consider, among other things, appropriate recovery of smart meter costs.

Notwithstanding Middlesex Power's general compliance with the guidelines, the Board reviewed the following issues in detail:

- Middlesex Power's CDM Proposal for spending \$50,000 over-recovered in 2006; and
- Market Adjusted Revenue Requirement ("MARR") based CDM funding

Middlesex Power's CDM Proposal for spending \$50,000 over-recovered in 2006

The Board denied a previous request by Middlesex Power for \$50,000 of incremental CDM funding in the 2006 electricity rate adjustment process (EB-2005-0351). However, the rate model was not properly adjusted to reflect the Board's decision. Due to this error, Middlesex Power's 2006 rates included the proposed CDM amount of \$50,000.

Middlesex Power has proposed that the \$50,000 recovered through 2006 rates be allocated to a Distribution System Optimization and Line Loss Reduction program outlined in a March 23, 2007 application to the Board. Middlesex Power stated that its proposal to contribute the \$50,000 collected through 2006 rates to this program is due to a Board staff interrogatory in the 2006 EDR process, which noted that Middlesex Power's line loss was above the Board guideline of 5%.

Market Adjusted Revenue Requirement ("MARR") based CDM funding

The Board issued a letter on March 1, 2007 (the "letter") setting out the process for distributors to apply for incremental funding for CDM programs in 2007 distribution rates.

In the letter, the Board indicated that it would use an expedited approach for the approval of additional funding for CDM programs that are currently undertaken as part of the third tranche of the market adjustment revenue requirement ("MARR-based CDM Programs").

The letter also stated:

“For funding requests received before March 23, 2007, the funds will be included in 2007 rates for implementation on May 1 (provided that the TRC analysis requirement is met) but all amounts collected in rates in relation to the costs of the MARR-based CDM Program will be booked into a variance account. The Board will subsequently hold a hearing in relation to the approval of the extended MARR-based CDM Program. If the extended Program is approved, the variance account will be closed. If the Program is not approved, the variance account will remain and be the subject of disposition in the future, the expectation being that the Program would be discontinued”.

Middlesex Power filed an application with the Board for \$55,000 of CDM funding to extend two MARR-based CDM programs: Distribution System Optimization and Line Loss Reduction, and a School Conservation Program. The Board assigned file number EB-2007-0110 to this application.

Findings

The Distribution System Optimization and Line Loss program is a voltage conversion program to reduce line losses. It is proposed that the line loss program will have a total budget of \$100,000: the \$50,000 collected through 2006 rates, and \$50,000 of new funding to be collected through 2007 rates. Middlesex Power reported that the program will result in a Total Resource Cost (“TRC”) ratio of 1.22. The Board finds that Middlesex Power has satisfied the minimum requirements set out in the March 1, 2007 letter for this program.

The School Conservation Program is an education program that targets grade 5 students in the Strathroy-Caradoc and Parkhill areas that aims to illustrate the importance of energy conservation. Projected budget (operating expenditure) is \$5,000. Middlesex Power did not provide a TRC value for this program. However, the Board recognizes that it may be difficult to quantify the benefits of such programs, and is satisfied as to the merits of this program. The Board finds that Middlesex Power has satisfied the minimum filing requirements set out in the March 1, 2007 letter for this program.

Middlesex Power has applied for total CDM funding in the amount of \$105,000: \$100,000 for the Distribution System Optimization and Line Loss program and \$5,000 for the School Conservation Program. Under traditional rate making methodology, operating costs are collected once and expensed in the year. Capital costs are included in rate base and it is only the annual capital-related expenses that are recovered through rates in any given year. For the Distribution System Optimization and Line Loss Reduction program, the Board finds that Middlesex Power shall include only the annual capital-related expenses in 2007 rates, in the amount of \$7,025. The 2007 recovery for the funding for CDM Programs, which totals \$12,099, will be entirely offset with \$12,099 of the funds already collected in 2006 rates. Therefore, there will be no increase in 2007 rates as a result of the CDM programs.

The amount of \$12,099 of the \$50,000 over-collected in 2006 rates will be used to fund the CDM programs in 2007. The Board finds that the remainder of the monies collected in 2006 rates, \$37,901, shall be returned to Middlesex Power ratepayers as a one time credit. The credit to each ratepayer shall reasonably correspond to the amount over-charged.

The Board authorizes the establishment of a new sub-account within Account 1508 to track the expenditures of the CDM programs. The Board will subsequently hold a hearing in relation to the costs of the extended MARR-based CDM Programs. The Board notes that the Distribution System Optimization and Line Loss Reduction programs may be viewed as system improvement that will be considered in relation to their coincidence with the distributor's normal asset lifecycle replacement program. The Board has made the necessary adjustments to Middlesex Power's filed 2006 Tariff of Rates and Charges to produce a new Tariff of Rates and Charges to be effective May 1, 2007. The Board finds the rates and charges in the Tariff of Rates and Charges attached as Appendix A to this decision to be just and reasonable.

THE BOARD ORDERS THAT:

1. The Tariff of Rates and Charges set out in Appendix A of this order is approved, effective May 1, 2007, for electricity consumed or estimated to have been consumed on and after May 1, 2007.
2. The Tariff of Rates and Charges set out in Appendix A of this order supersedes all previous distribution rate schedules approved by the Ontario Energy Board for Middlesex Power, and is final in all respects.
3. Middlesex Power shall notify its customers of the rate changes no later than with the first bill reflecting the new rates.

DATED at Toronto, April 20, 2007

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary

Appendix A

EB-2007-0553

April 20, 2007

ONTARIO ENERGY BOARD

Middlesex Power Distribution Corp.

TARIFF OF RATES AND CHARGES

Effective May 1, 2007

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2007-0553

APPLICATION

- The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Codes, Guidelines or Orders of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.
- No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code, Guideline or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.
- This schedule does not contain any rates and charges relating to the electricity commodity (e.g. the Regulated Price Plan).

EFFECTIVE DATES

- DISTRIBUTION RATES - May 1, 2007 for all consumption or deemed consumption services used on or after that date.
SPECIFIC SERVICE CHARGES - May 1, 2007 for all charges incurred by customers on or after that date.
LOSS FACTOR ADJUSTMENT – May 1, 2007 unless the distributor is not capable of prorating changed loss factors jointly with distribution rates. In that case, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

SERVICE CLASSIFICATIONS

Residential

This classification applies to an account taking electricity at 750 volts or less and includes:

- 1) All services supplied to single-family dwelling units for domestic or household purposes,
- 2) All multi-unit residential establishments such as apartments of 6 or less units.
- 3) If a service supplies a combination of residential and commercial load and wiring does not permit separate metering, the classification of this customer will be determined individually by the distributor.

General Service Less Than 50 kW

This classification applies to a non residential account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered).

General Service 50 to 4,999 kW

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Note that for the application of the Retail Transmission Rate – Network Service Rate and the Retail Transmission Rate – Line and Transformation Connection Service Rate the following sub-classifications apply:

- General Service 50 to 5,000 kW non-interval metered
- General Service 50 to 5,000 kW interval metered

Large Use

This classification applies to an account whose average monthly maximum demand used for billing purposes over the most recent 12 consecutive months is equal to or greater than, or is forecast to be equal to or greater than, 5,000 kW.

Unmetered Scattered Load

This classification applies to an account taking electricity at 750 volts or less whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption.

Sentinel Lighting

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light.

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Street Lighting

This classification applies to an account for roadway lighting with a Municipality, Regional Municipality, Ministry of Transportation and private roadway lighting, controlled by photo cells. The consumption for these customers will be based on the calculated connected load times the required lighting times established in the approved OEB street lighting load shape template.

MONTHLY RATES AND CHARGES**Residential**

Service Charge	\$	16.75
Distribution Volumetric Rate	\$/kWh	0.0149
Regulatory Asset Recovery	\$/kWh	0.0022
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0055
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0049
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service Less Than 50 kW

Service Charge	\$	21.40
Distribution Volumetric Rate	\$/kWh	0.0052
Regulatory Asset Recovery	\$/kWh	0.0015
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0050
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

General Service 50 to 4,999 kW

Service Charge	\$	47.94
Distribution Volumetric Rate	\$/kW	1.6185
Regulatory Asset Recovery	\$/kW	0.3362
Retail Transmission Rate – Network Service Rate	\$/kW	2.0299
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.7412
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2535
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.9603
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Large Use

Service Charge	\$	3,856.97
Distribution Volumetric Rate	\$/kW	0.1922
Regulatory Asset Recovery	\$/kW	(0.1780)
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.3871
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	2.1828
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Middlesex Power Distribution Corp.

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Unmetered Scattered Load

Service Charge (per connection)	\$	9.56
Distribution Volumetric Rate	\$/kWh	0.0057
Regulatory Asset Recovery	\$/kWh	0.0062
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0050
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0044
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Sentinel Lighting

Service Charge (per connection)	\$	0.19
Distribution Volumetric Rate	\$/kW	1.1233
Regulatory Asset Recovery	\$/kW	0.0062
Retail Transmission Rate – Network Service Rate	\$/kW	1.5386
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3742
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Street Lighting

Service Charge (per connection)	\$	0.15
Distribution Volumetric Rate	\$/kW	0.6906
Regulatory Asset Recovery	\$/kW	0.1187
Retail Transmission Rate – Network Service Rate	\$/kW	1.5306
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3461
Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0010
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

Specific Service Charges

Customer Administration		
Arrears certificate	\$	15.00
Easement letter	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque (plus bank charges)	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
Non-Payment of Account		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Disconnect/Reconnect Charge - At Meter During Regular Hours	\$	65.00
Temporary service install & remove – overhead – no transformer	\$	500.00
Specific charge for access to the power poles – per pole/year	\$	22.35
Switching for company maintenance – Charge based on Time and Materials	\$	
Allowances		
Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

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LOSS FACTORS

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0608
Total Loss Factor – Secondary Metered Customer > 5,000 kW	1.0145
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0501
Total Loss Factor – Primary Metered Customer > 5,000 kW	1.0045